

**REPORT OF THE AUDIT OF THE  
HICKMAN COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2003**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.kyauditor.net](http://www.kyauditor.net)**

**105 SEA HERO ROAD, SUITE 2  
FRANKFORT, KY 40601-5404  
TELEPHONE (502) 573-0050  
FACSIMILE (502) 573-0067**



**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**HICKMAN COUNTY FISCAL COURT**

**For The Fiscal Year Ended**  
**June 30, 2003**

The Auditor of Public Accounts has completed the Hickman County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

**Financial Condition:**

Cash balances decreased by \$49,186 from the beginning of the year, resulting in a cash surplus of \$1,089,501 as of June 30, 2003.

**Debt Obligations:**

Total bonded debt principal as of June 30, 2003, was \$4,140,000. Future collections of \$6,490,120 are needed to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$37,721 as of June 30, 2003. Future principal and interest payments of \$50,658 are needed to meet these obligations.

**Report Comment:**

- Internal Controls Over Financial Reporting Should Be Improved

**Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



## CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT .....	1
HICKMAN COUNTY OFFICIALS .....	3
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY ARISING FROM CASH TRANSACTIONS .....	6
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPE.....	10
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE.....	15
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE .....	19
NOTES TO FINANCIAL STATEMENTS .....	20
SUPPORTING SCHEDULES:	
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE .....	31
SCHEDULE OF OPERATING REVENUE.....	35
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES.....	38
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	43
COMMENT AND RECOMMENDATION .....	47
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Gregory D. Pruitt, Hickman County Judge/Executive  
Members of the Hickman County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Hickman County, Kentucky, as of June 30, 2003, and the statement of cash receipts, cash disbursements, and changes in cash balances - governmental fund type; the statement of cash receipts, cash disbursements, and changes in cash balances - proprietary fund type; and the related statement of cash flows - proprietary fund type for the year then ended. These financial statements are the responsibility of the Hickman County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Hickman County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity of Hickman County, Kentucky, as of June 30, 2003, and the receipts and expenditures and the cash flows of its enterprise fund for the year then ended in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Gregory D. Pruitt, Hickman County Judge/Executive  
Members of the Hickman County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2004, on our consideration of Hickman County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Hickman County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Internal Controls Over Financial Reporting Should Be Improved

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
March 16, 2004



HICKMAN COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

**Fiscal Court Members:**

Gregory D. Pruitt	County Judge/Executive
Gary Jones	Magistrate
Irvin Stroud	Magistrate
Tommy Roberts	Magistrate

**Other Elected Officials:**

Thomas H. Bugg	County Attorney
Robert Tarver	Jailer
Sophia P. Barclay	County Clerk
Carolyn Kimbell	Circuit Court Clerk
J. W. Moran	Sheriff
Anita C. Mullins	Property Valuation Administrator
James Berry, Jr.	Coroner

**Appointed Personnel:**

Nancy Pruitt	Deputy Judge Executive
Carol Malugin	County Treasurer
Kristia Reynolds	911 Administrator
Cathy Kellett	Jail Administrative Assistant

THIS PAGE LEFT BLANK INTENTIONALLY

STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

HICKMAN COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

	Governmental Fund Type					Enterprise Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Debt Service	Jail Canteen		
<u>Assets and Other Resources</u>							
<u>Assets</u>							
Cash and Cash Equivalents	\$ 701,685	\$ 38,023	\$ 79,786	\$ 787	\$ 7,641	\$	827,922
Certificates of Deposit				261,835			261,835
Total Assets	<u>\$ 701,685</u>	<u>\$ 38,023</u>	<u>\$ 79,786</u>	<u>\$ 262,622</u>	<u>\$ 7,641</u>	<u>\$</u>	<u>1,089,757</u>
<u>Other Resources</u>							
Amounts to be Provided in Future Years for:							
Capital Lease (Note 5)	\$ 37,721	\$	\$	\$	\$	\$	37,721
Bond Payments (Note 4)				3,877,378			3,877,378
Total Other Resources	<u>\$ 37,721</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,877,378</u>	<u>\$ 0</u>	<u>\$</u>	<u>3,915,099</u>
Total Assets and Other Resources	<u>\$ 739,406</u>	<u>\$ 38,023</u>	<u>\$ 79,786</u>	<u>\$ 4,140,000</u>	<u>\$ 7,641</u>	<u>\$</u>	<u>5,004,856</u>

The accompanying notes are an integral part of the financial statements.

HICKMAN COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2003  
(Continued)

	Governmental Fund Types					Enterprise Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Debt Service	Jail Canteen		
<u>Liabilities and Equity</u>							
<u>Liabilities</u>							
Capital Lease (Note 5)	\$ 37,721	\$	\$	\$	\$	\$	37,721
Bonds:							
Detention Center (Note 4A)				2,620,000			2,620,000
Courthouse Annex (Note 4B)				1,520,000			1,520,000
Payroll Revolving	257						257
Total Liabilities	\$ 37,978	\$ 0	\$ 0	\$ 4,140,000	\$ 0	\$	4,177,978
<u>Equity</u>							
Retained Earnings	\$	\$	\$	\$	\$ 7,641	\$	7,641
Fund Balances:							
Reserved		38,023	79,786				117,809
Unreserved	701,428						701,428
Total Equity	\$ 701,428	\$ 38,023	\$ 79,786	\$ 0	\$ 7,641	\$	826,878
Total Liabilities and Equity	\$ 739,406	\$ 38,023	\$ 79,786	\$ 4,140,000	\$ 7,641	\$	5,004,856

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPE

HICKMAN COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPE

For The Fiscal Year Ended June 30, 2003

	General Fund Types			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 418,143	\$ 822,704	\$ 652,568	\$ 2,655
Other Financing Sources:				
Transfers In	931,676	619,973	240,803	1,035
Kentucky Advance Revenue Program	73,000			
Total Cash Receipts	<u>\$ 1,422,819</u>	<u>\$ 1,442,677</u>	<u>\$ 893,371</u>	<u>\$ 3,690</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 473,811	\$ 767,788	\$ 591,713	\$ 3,327
Other Financing Uses:				
Transfers Out	861,811	753,487	304,167	
Capital Lease:				
Principal Paid	2,739			
Bonds:				
Principal Paid				
Interest Paid				
Kentucky Advance Revenue Program Repaid	73,000			
Total Cash Disbursements	<u>\$ 1,411,361</u>	<u>\$ 1,521,275</u>	<u>\$ 895,880</u>	<u>\$ 3,327</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 11,458	\$ (78,598)	\$ (2,509)	\$ 363
Cash Balance - July 1, 2002	<u>228,905</u>	<u>539,233</u>	<u>2,509</u>	<u>67</u>
Cash Balance - June 30, 2003	<u>\$ 240,363</u>	<u>\$ 460,635</u>	<u>\$ 0</u>	<u>\$ 430</u>

The accompanying notes are an integral part of the financial statements.



HICKMAN COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPE  
 For The Fiscal Year Ended June 30, 2003  
 (Continued)

<u>Special Revenue Fund Types</u>		<u>Capital Projects Fund Type</u>	<u>Debt Service Fund Types</u>		
<u>Disaster Emergency Services Fund</u>	<u>Ambulance Rental Fund</u>	<u>Health Department Fund</u>	<u>Courthouse Annex Sinking Fund</u>	<u>Detention Center Sinking Fund</u>	<u>Totals (Memorandum Only)</u>
\$ 8,330	\$ 12,885	\$ 101,623	\$ 118,737	\$ 5,471	\$ 2,143,116
				125,978	1,919,465
					73,000
<u>\$ 8,330</u>	<u>\$ 12,885</u>	<u>\$ 101,623</u>	<u>\$ 118,737</u>	<u>\$ 131,449</u>	<u>\$ 4,135,581</u>
\$ 14,789	\$ 614	\$ 21,837	\$	\$	\$ 1,873,879
					1,919,465
					2,739
			40,000	70,000	110,000
			79,156	125,550	204,706
					73,000
<u>\$ 14,789</u>	<u>\$ 614</u>	<u>\$ 21,837</u>	<u>\$ 119,156</u>	<u>\$ 195,550</u>	<u>4,183,789</u>
\$ (6,459)	\$ 12,271	\$ 79,786	\$ (419)	\$ (64,101)	(48,208)
28,662	3,550		124,268	202,874	1,130,068
<u>\$ 22,203</u>	<u>\$ 15,821</u>	<u>\$ 79,786</u>	<u>\$ 123,849</u>	<u>\$ 138,773</u>	<u>\$ 1,081,860</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE



HICKMAN COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Fund Type</u>
	<u>Jail Canteen Fund</u>
<u>Cash Receipts</u>	
Receipts - Jail Canteen	\$ 98,390
Total Cash Receipts	\$ 98,390
<u>Cash Disbursements</u>	
Expenditures - Jail Canteen	\$ 99,368
Total Cash Disbursements	\$ 99,368
Deficiency of Cash Receipts Under Cash Disbursements	\$ (978)
Cash Balance - July 1, 2002	8,619
Cash Balance - June 30, 2003	\$ 7,641

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE





HICKMAN COUNTY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Fund Type</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities:	
Operating Loss	<u>\$          (978)</u>
Net Cash Used by Operating Activities	<u>\$          (978)</u>
Net Decrease in Cash and Cash Equivalents	\$          (978)
Cash and Cash Equivalents - July 1, 2002	<u>8,619</u>
Cash and Cash Equivalents - June 30, 2003	<u><u>\$          7,641</u></u>

The accompanying notes are an integral part of the financial statements.

HICKMAN COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Hickman County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Hickman County Public Properties Corporation as part of the reporting entity.

Hickman County Public Properties Corporation

Fiscal Court has the authority to appoint a voting majority of the Public Properties Corporation's (PPC) Board of Directors. Fiscal Court also has the ability to approve or modify the PPC's budget, approve or modify rate or fee changes affecting revenues, veto, overrule, or modify decisions of the Board of Directors, or otherwise impose its will on the PPC. In addition, Fiscal Court is financially accountable for the PPC, legally entitled to the PPC's resources, as well as legally obligated for the PPC's debt. Financial information for the Public Properties Corporation is blended with Hickman County's financial statements.

Additional - Hickman County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Hickman County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Hickman County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed on the next page.

HICKMAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Hickman County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Hickman County Special Revenue Fund Type includes the following county funds: Disaster Emergency Services Fund and Ambulance Rental Fund.

3) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Health Department Fund of the Fiscal Court is reported as a Capital Projects Fund Type.

4) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Courthouse Annex Sinking Fund and Detention Center Sinking Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

5) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Hickman County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

HICKMAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Hickman County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Debt Service Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts. The County considers certificates of deposit with a maturity date of three months or less when purchased to be cash equivalents.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

HICKMAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Hickman County Fiscal Court: Industrial Development Authority and Extension District Board.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

HICKMAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 4. Long-Term Debt

A. Detention Center Bonds

Hickman County Fiscal Court entered into a bond issue, Hickman County General Obligation Improvement Bonds (Detention Facilities Project) Series 1999, on April 1, 1999, for the purpose of financing the acquisition, construction, and improvement of the Detention Facilities. This bond issue also establishes a debt reserve "to secure the timely payment of said Bonds". The issue amount of the bonds was \$2,820,000. The bonds began maturing October 1, 1999. The outstanding balance as of June 30, 2003, was \$2,620,000. Bond principal and interest requirements due in the next five years and in five-year increments thereafter are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 122,215	\$ 75,000
2005	118,765	75,000
2006	115,200	80,000
2007	111,520	80,000
2008	107,725	85,000
2009-2013	474,685	485,000
2014-2018	350,600	600,000
2019-2023	191,350	770,000
2024-2025	18,750	370,000
Totals	<u>\$ 1,610,810</u>	<u>\$ 2,620,000</u>

HICKMAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 4. Long-Term Debt (Continued)

B. Courthouse Annex Bonds

Hickman County Public Properties Corporation entered into a bond issue, Hickman County, Kentucky, Public Properties Corporation First Mortgage Revenue Bonds (Courthouse Annex Facilities Project) Series 1999, on July 1, 1999, for the purpose of financing the acquisition and construction of an annex to the courthouse. The issue amount of the bonds was \$1,640,000. The bonds began maturing March 1, 2000. The Administrative Office of the Courts (AOC) is responsible for 89% of the cost of the bonds. The Public Properties Corporation is responsible for the remaining balance of the cost. The outstanding balance as of June 30, 2003, was \$1,520,000. Bond principal and interest requirements due in the next five years, and in five-year increments thereafter are:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2004	\$ 77,356	\$ 45,000
2005	75,332	45,000
2006	73,216	45,000
2007	71,102	50,000
2008	68,752	50,000
2009-2013	303,476	295,000
2014-2018	221,132	380,000
2019-2023	111,566	610,000
Totals	<u>\$ 1,001,932</u>	<u>\$ 1,520,000</u>

HICKMAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 5. Lease Agreements

On April 1, 1998, Hickman County Fiscal Court entered into a lease purchase agreement with Clinton Bank for the remaining balance left on the installation of the courthouse elevator. Total cost of the installation was \$150,000 for which the Administrative Office of the Courts paid \$100,000. The remaining balance of \$50,000 was to be paid annually in various principal payment amounts by the Hickman County Fiscal Court at an interest rate of 5.75 percent for a period of 15 years. Lease principal and interest requirements due in the next five years, and in five-year increments thereafter are:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2004	\$ 2,175	\$ 2,891
2005	2,003	3,063
2006	1,827	3,239
2007	1,640	3,425
2008	1,447	3,618
2009-2013	<u>3,845</u>	<u>21,485</u>
Totals	<u>\$ 12,937</u>	<u>\$ 37,721</u>

Note 6. Related Party Transaction

Hickman County Fiscal Court participated in the following related party transaction.

During the fiscal year, the County maintained deposits with the First Community Bank in Hickman County. In January 2003, the County Judge/Executive filed a Statement of Financial Disclosure with the Hickman County Ethics Commission stating that he owned an interest of at least \$10,000 at fair market value or a five percent ownership interest in the First Community Bank and earned in excess of \$5,000 during the preceding calendar year from this interest. Whenever the county needs to make a major investment, bids are requested from each bank. Fiscal Court votes on which bid to award and the County Judge abstains from voting.

Note 7. Subsequent Event

On August 14, 2002, Hickman County entered into a federal Community Development Block Grant agreement with the Kentucky Department for Local Government for \$300,000. This grant is to be used for the construction of a new 4,000 square foot health department facility. On October 9, 2003, the amount of this grant agreement was increased to \$435,000. The Purchase Area Development District has been contracted to administer this grant. As of June 30, 2003, no grant money had been received.



HICKMAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 8. Insurance

For the fiscal year ended June 30, 2003, Hickman County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

THIS PAGE LEFT BLANK INTENTIONALLY

COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



HICKMAN COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Types</u>			
General Fund	\$ 461,522	\$ 418,143	\$ (43,379)
Road and Bridge Fund	909,961	822,704	(87,257)
Jail Fund	632,434	652,568	20,134
Local Government Economic Assistance Fund	3,360	2,655	(705)
<u>Special Revenue Fund Types</u>			
Disaster Emergency Services Fund	7,633	8,330	697
Ambulance Rental Fund	14,619	12,885	(1,734)
<u>Capital Projects Fund Type</u>			
Health Department Fund	<u>401,341</u>	<u>101,623</u>	<u>(299,718)</u>
Totals	<u>\$ 2,430,870</u>	<u>\$ 2,018,908</u>	<u>\$ (411,962)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 2,430,870
Add: Budgeted Prior Year Surplus			910,585
Less: Other Financing Uses			<u>(201,875)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 3,139,580</u>

THIS PAGE LEFT BLANK INTENTIONALLY

SCHEDULE OF OPERATING REVENUE





HICKMAN COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

GOVERNMENTAL FUND TYPES

<u>Revenue Categories</u>	<u>General Fund Types</u>	<u>Special Revenue Fund Types</u>	<u>Capital Projects Fund Type</u>	<u>Debt Service Fund Types</u>	<u>Totals (Memorandum Only)</u>
Taxes	\$ 267,649	\$	\$	\$	\$ 267,649
In Lieu Tax Payments	26,149				26,149
Excess Fees	15,930				15,930
Intergovernmental Revenues	1,464,982	19,519		115,291	1,599,792
Charges for Services	44,007				44,007
Miscellaneous Revenues	55,355	1,332	100,000		156,687
Interest Earned	<u>21,998</u>	<u>364</u>	<u>1,623</u>	<u>8,917</u>	<u>32,902</u>
Total Operating Revenue	<u>\$ 1,896,070</u>	<u>\$ 21,215</u>	<u>\$ 101,623</u>	<u>\$ 124,208</u>	<u>\$ 2,143,116</u>

THIS PAGE LEFT BLANK INTENTIONALLY

COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

HICKMAN COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

GENERAL FUND TYPES			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 400,334	\$ 354,510	\$ 45,824
Protection to Persons and Property	550,333	518,081	32,252
General Health and Sanitation	1,150	795	355
Social Services	1,200	1,200	
Roads	925,644	689,062	236,582
Debt Service	1,593	3,788	(2,195)
Administration	803,522	269,203	534,319
Total Operating Budget - General Fund Types	\$ 2,683,776	\$ 1,836,639	\$ 847,137
Other Financing Uses:			
Transfers to Public Property Corporation	196,809	125,978	70,831
Capital Lease Agreement- Principal on Lease	5,066	2,739	2,327
TOTAL BUDGET - GENERAL FUND TYPES	<u>\$ 2,885,651</u>	<u>\$ 1,965,356</u>	<u>\$ 920,295</u>
SPECIAL REVENUE FUND TYPES			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 3,030	\$ 614	\$ 2,416
Protection to Persons and Property	12,467	11,888	579
Administration	38,966	2,901	36,065
TOTAL BUDGET - SPECIAL REVENUE FUND TYPES	<u>\$ 54,463</u>	<u>\$ 15,403</u>	<u>\$ 39,060</u>

HICKMAN COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 For The Fiscal Year Ended June 30, 2003  
 (Continued)

Expenditure Categories	CAPITAL PROJECTS FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Health and Sanitation	\$ 401,341	\$ 21,837	\$ 379,504
TOTAL BUDGET - CAPITAL PROJECT FUND TYPES	<u>\$ 401,341</u>	<u>\$ 21,837</u>	<u>\$ 379,504</u>

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

Honorable Greg Pruitt, Hickman County Judge/Executive  
Members of the Hickman County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Hickman County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated March 16, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Hickman County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hickman County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Hickman County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying comment and recommendation section.

- Internal Controls Over Financial Reporting Should Be Improved

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
March 16, 2004

COMMENT AND RECOMMENDATION



HICKMAN COUNTY  
COMMENT AND RECOMMENDATION

For The Fiscal Year Ended June 30, 2003

Internal Controls Over Financial Reporting Should Be Improved

In accordance with Government Auditing Standards, we considered Hickman County's internal controls over financial reporting in order to determine the extent of auditing procedures. A reportable condition involves matters coming to our attention relating to significant deficiencies in the design or operation of internal controls over financial reporting. These deficiencies include:

- Expenditures and transfers were materially misclassified;
- Some expenditures had no supporting documentation;
- Approval for some expenditures and transfers were not documented in the Fiscal Court minutes; and
- The endorsement side of cancelled checks was not included with the bank statements.

We recommend that internal controls over financial reporting be improved.

*County Judge/Executive Gregory D. Pruitt's Response*

*None.*

THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

HICKMAN COUNTY FISCAL COURT

For The Fiscal Year Ended  
June 30, 2003





**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**HICKMAN COUNTY FISCAL COURT**

For The Fiscal Year Ended June 30, 2003

The Hickman County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



\_\_\_\_\_  
Name  
County Judge/Executive



\_\_\_\_\_  
Name  
County Treasurer



